

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 DOTE-00 CIAE-00 DODE-00

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R 310805Z DEC 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 2656

INFO AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

USDOC WASHDC

UNCLAS BAGHDAD 1317

E.O. 11652: N/A

TAGS: BTIO, IZ

SUBJECT: BAGHDAD RAPID TRANSIT CONTRACT AWARDED SWISS/WEST
GERMAN CONSORTIUM

REF: BAGHDAD 947

1. GEORGE M. COOKSON, REGIONAL V.P. OF DE LEUW, CATHER INTERNATIONAL, CALLED ON USINT PRINCIPAL OFFICER ON DEC. 30 AND SAID THAT MINISTRY OF TRANSPORTATION HAD CONFIRMED TO HIM THAT DESIGN AND CONSTRUCTION SUPERVISION CONTRACT FOR BAGHDAD SUBWAY HAD BEEN GIVEN TO THE SWISS/WEST GERMAN CONSORTIUM OF ELECTROWATT AND DEUTSCH EISENBAUM.

2. COOKSON SAID THAT NAJI RABIAI, CHIEF ENGINEER OF THE PLANNING AND FOLLOW UP OFFICE OF THE MINISTRY OF TRANSPORT, HAD TOLD HIM THAT MAIN CONSIDERATION HAD BEEN THE LOWER PRICE INCLUDED IN THE SWISS/W. GERMAN OFFER. DE LEUW, CATHER'S LOCAL CONSULTANT, HOWEVER, HAD EXPRESSED OPINION THAT POLITICAL CONSIDERATIONS HAD ENTERED INTO DECISION AS A RESULT OF STRAINED RELATIONS BETWEEN GOI AND USG. COOKSON CONFIRMED THAT NO GOI OFFICIAL HAD

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LINKED SELECTION OF SWISS/W. GERMAN FIRM TO POLITICAL CONSIDERA-

TIONS AND ASKED IF USINT AWARE OF ANY SUCH DISCRIMINATION AGAINST U.S. FIRMS.

3. P.O. REPLIED THAT TO BEST OF HIS KNOWLEDGE GOI STILL FOLLOWING POLICY OF NON-DISCRIMINATION AGAINST U.S. PRIVATE FIRMS DESPITE RECENT IRRITATIONS IN OUR RELATIONS CAUSED BY UN DEBATE AND USG ACTIONS VIS A VIS ARAB BOYCOTT. IT IS POSSIBLE THAT SOME SUBTLE DISCRIMINATION CREEPS IN WHEN RELATIVE MERITS OF COMPETING BIDS ARE VERY CLOSE FROM IRAQI POINT OF VIEW. IF U.S. FIRMS MAKE OFFERS THAT ARE CLEARLY PREFERABLE TO IRAQIS, HOWEVER, THEY WOULD PROBABLY BE GIVEN CONTRACTS IN SPITE OF EXISTING STRAINS IN OUR POLITICAL RELATIONS.

4. COOKSON ACKNOWLEDGED THAT HIS PRICE WAS PROBABLY MUCH HIGHER THAN COMPETITORS SINCE HIS FIRM FORSAW MANY PROBLEMS IN BUILDING SUBWAY IN BAGHDAD WHERE WATER TABLE IS VERY CLOSE TO SURFACE AND CONSTRUCTION MATERIALS ARE IN SHORT SUPPLY. HE ALSO EXPRESSED VIEW THAT SWISS/W. GERMAN BID MAY HAVE BEEN INTENTIONALLY LOW SINCE GERMAN AGENCY INVOLVED IS AN ARM OF W. GERMAN GOVERNMENT. W. GERMANS MAY HOPE THAT THROUGH THE DESIGN AND CONSTRUCTION SUPERVISION CONTRACT THEY WILL BE ABLE TO GIVE W. GERMAN FIRMS AN ADVANTAGE IN COMPETING FOR MUCH LARGER CONSTRUCTION CONTRACTS TO FOLLOW. TOTAL PROJECT COSTS ARE NOW ESTIMATED AT OVER \$2 BILLION.

5. COOKSON SAID THAT ALTHOUGH HE DISAPPOINTED IN LOSING THIS COMPETITION, HIS FIRM STILL SEEKING OTHER CONTRACTS WITH GOI, PRIMARILY IN FIELD OF ROAD CONSTRUCTION.
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